L&M

Design Sense

special issue

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UNI-MARKETING

...new challenge to
national brand sales

A publication on Packaging, Product Styling, Store Planning and Merchandising

Lippincott and Margulies, Inc.
Industrial Designers, 430 Park Avenue
New York

So that there may be no mistake about what we mean by the words "Private Label" and "National Brand," here is what we mean when we use them in this report:

NATIONAL BRAND: A food or household product (including proprietary drugs and cosmetics) made or processed by a manufacturer who does *not* own or operate the retail outlets in which it is sold. Its distribution is either national or near-national and it may or may not be nationally advertised.

PRIVATE LABEL BRAND: A food or household product (again, also including proprietary drugs and cosmetics) whose manufacture or processing is either *done or controlled by* the retail selling organization. Normally it is offered to the consumer on an exclusive basis through the company's retail stores. Private Label Brands are, of course, found by the score outside these fields—Sears-Roebuck's "Allstate" and "Craftsman" brands, for example, or Macy's "Supre-Macy" brand. For the purpose of this issue of DESIGN SENSE, however, we are confining our discussion to *those food and household products normally found in the average U.S. supermarket.*

UNI-MARKETING

Today's challenge
Tomorrow's threat

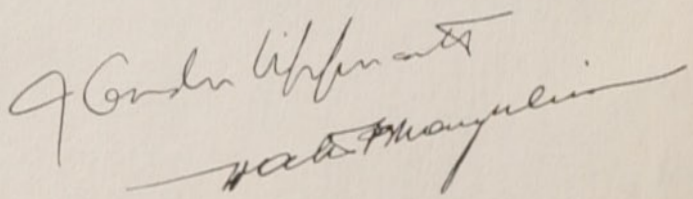
Time was when the only serious competitor a big national brand food product had was another big national brand.

Today another competitor has joined the battle: the private label brand. In the past decade, the private label has demonstrated it could give the national brand a run for its customer. At its current rate of growth, the private label may soon spell public trouble for even the biggest and best advertised national brand.

There are, of course, many reasons why the private label has come so far so fast. Basic to all of them, we feel, is the fact that it represents the ultimate (to date) fusion of the functions of producer and marketer into a single manufacturing-packaging-distributing-selling organization. Our name for this phenomenon is "Uni-Marketing"—short for "Unified Marketing."

Does Uni-Marketing represent some inevitable "wave of the future" destined to sweep the shelves of the nation's supermarkets clear of all national brands? We think not. But by the same token, neither do we think that any national brand producer can afford to ignore the challenge it represents. As designers of packages as well as the stores in which they are sold, we are convinced that Uni-Marketing is here to stay. And we are equally convinced that those who control the destinies of national brands will have to take a new look at the effectiveness of their own marketing operations in the light of the new realities of the U. S. marketplace.

This special issue of DESIGN SENSE will endeavor to further define what Uni-Marketing is, and to show how it will affect national brand producers during the coming decade.



Percentage of Dollar Sales Accounted for By Private Label Brands
14.5
20.2
21.0
29.8
32.7
35.0
37.5
50.0
51.0
60.3
66.7
68.4
79.1
Category
Instant Coffee
Salad Dressing and Mayonnaise
Tea
Canned Tomato Juice
Canned Milk
Peanut Butter
Canned Peas
Margarine
Canned Peaches
Frozen Orange Juice
White Bread (loaves)
Butter
Frozen Peas

The private label how big?

Figures on the growth pattern of private label brands are harder to find than Ann Page jellies in a Safeway store. There are, however, enough indicators available to establish two facts:

1. Private label brands are *already* accounting for a sizable percentage of sales.
2. Private label brands are *increasing* their share of the market.

One eye-popping indicator was contained in a study of food sales in 32 chain organizations conducted by the National Association of Food Chains in 1956. Covering the first six months of that year, this study disclosed that private label brands were then accounting for a whopping share of dollar sales in some product categories. The chart on the opposite page gives the score.

What's more, even at that time the trend for private label brands was on the upgrade. A study by Super Market Merchandising, also done in 1956 showed that . . .

. . . 70% of the 99 supermarket organizations studied were already carrying private label brands.

. . . 80% of these were carrying *more* private label brands than they had carried five years earlier.

. . . 78% of these stores planned to add *more* private label lines to their stock.

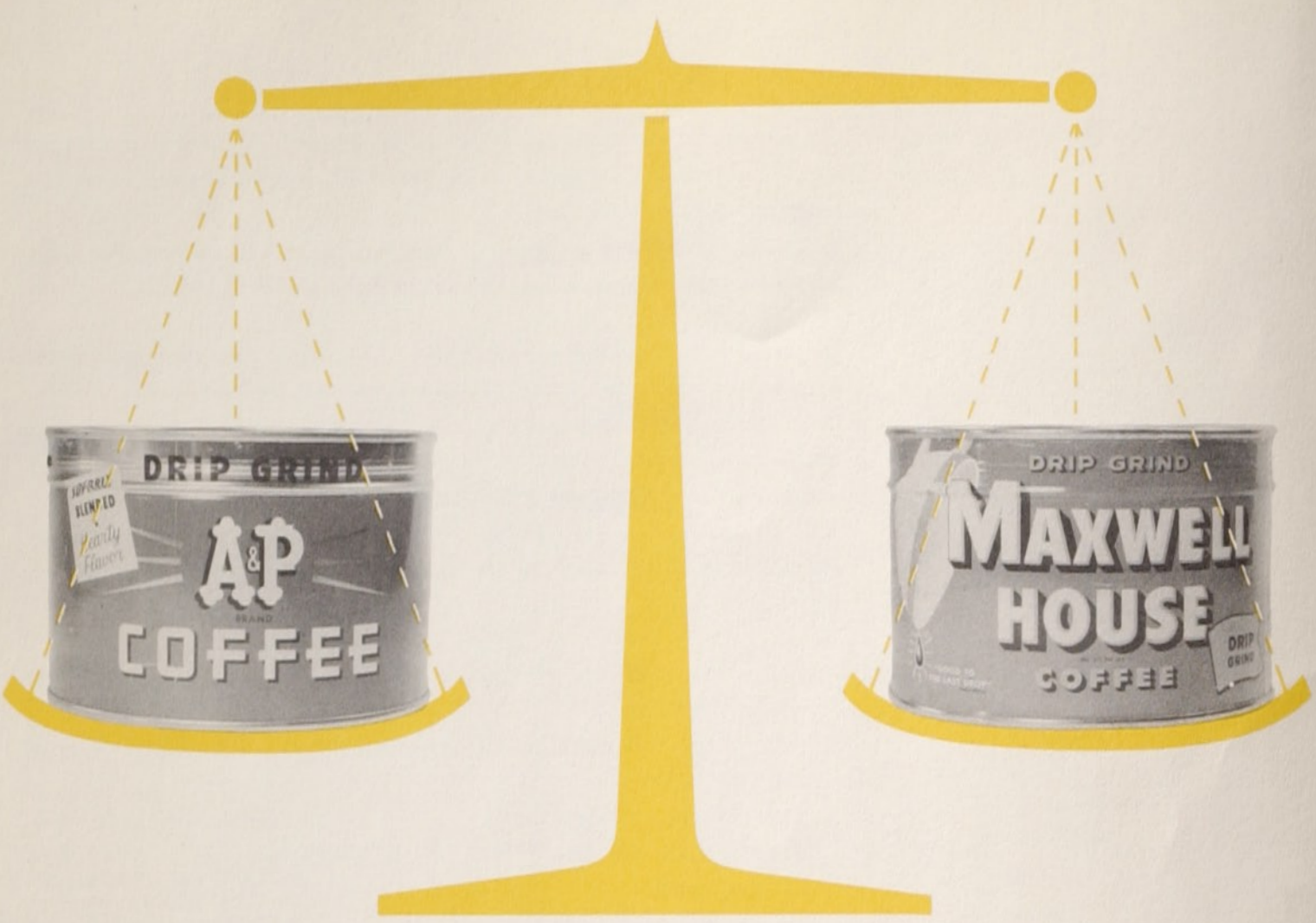
. . . 64% reported that private label brands sold *just as well or better than* national brands.

Incidentally, the stores covered in this survey were smaller chain organizations averaging sixteen stores per firm. Had the survey included such private label giants as A&P, Safeway, First National, etc. these percentages would certainly have been higher.

Just how much higher is suggested by the fact that nine of the ten top super market chains (which last year accounted for 27% of *all* food sales) have their own private label brands. More important, two-thirds of these—six of the nine —are planning to put more emphasis on their own brands during the coming year.

Another indicator of the inroads the private label has made comes from the Independent Grocers Alliance of America, whose 69 wholesalers have 5,000 voluntary member stores. It reports that private label business among its member stores has gone up from 15% of sales to 30% of sales during the past year. This figure is all the more impressive since it comes from the other side of the food retailing street—from a group representing not the giants, nor even the medium-sized chains, but a group made up largely of small food retailing organizations.

As a final indicator, Neilsen's food index findings for 1957 puts the private label brands' share of the total food market at 25%. In short, one out of every four dollars spent on food today is being spent on a private label brand.



The potent appeal of the private label

How did the private label get to be the powerful competitor it is today?

The answer, we suspect, goes back to human nature. Or rather, to two human natures—that of the store owner and that of his customer.

From the merchant's point of view, the private label has two powerful appeals—one financial, the other strategic.

Financially the private label offers him a better profit margin than national brands. Strategically, it gives him a chance to develop repeat customers by providing an exclusive product. If people want it, they must come to his stores to get it. And if they come to him for one product, he reasons, chances are he will get the lion's share of their total food dollar. National brands cannot possibly offer this loyalty-to-brand-equals-loyalty-to-store advantage. The very fact that they can be bought anywhere works against them.

Strong as these appeals are to the retailers, they are both based on the premise that people buy private label brands—that they will move, and rapidly, off his shelves.

This leads us directly to the second human nature involved: the consumer. Since the private label has turned out to be a good mover, it would appear that the U.S. housewife has not been completely convinced that there *is* a difference

between Maxwell House and A&P coffee, for example, or between Del Monte and Freshpak. Rightly or wrongly, rationally or irrationally, today's consumer tends to accept private label brands more or less as equal to the heavily promoted national brands.

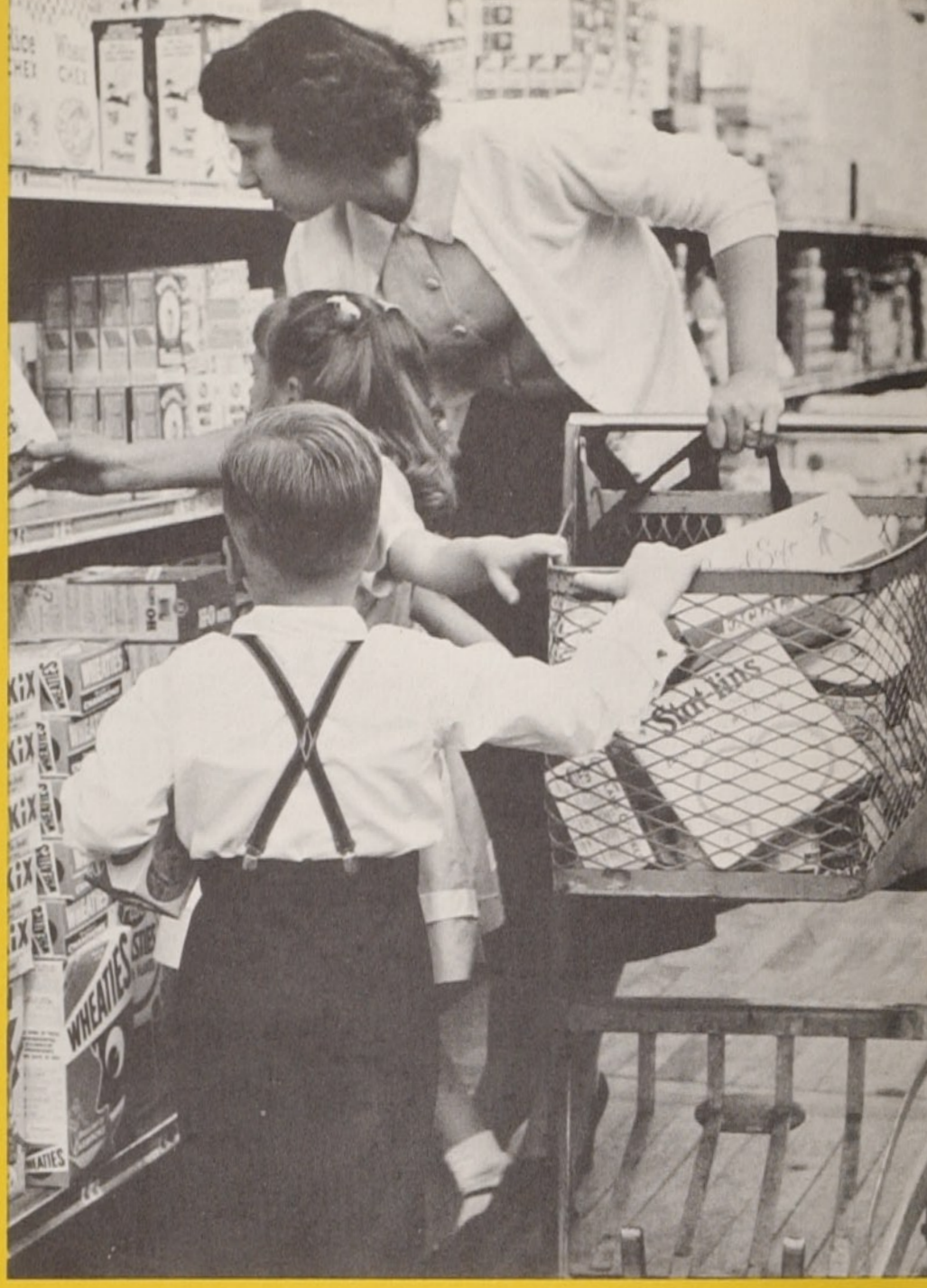
One reason for this high degree of consumer acceptance involves consumer confidence. Today several supermarket chains are national in their operation, and scores of others are equally well known and respected in their areas of operation. Even some of the "small" chains are big—to their customers. The point is, the brands they market under their own labels today are backed by the prestige and reputation of some pretty big parent organizations—the same organizations, in fact, which guarantee the meats, fresh vegetables and fruit the consumer purchases.

As a result, instead of being thought of as "off brands," most private label brands have been "legitimatized" in the mind of the consumer by the image she has of the store in which they are sold. In this respect, it is worth noting that the average consumer is likely to have a clearer, more personal impression of what her neighborhood supermarket stands for than she has of what most national brand manufacturers stand for.

Another important consideration, from the consumer's point of view, is price. The National Association of Food Chains survey referred to above also sheds light on this subject. In the seventeen categories of food products studied, they found that private label brands were under-selling national brands by anywhere from a penny (canned corn, canned peas) to a nickel (peanut butter) to almost a quarter (instant coffee). Obviously a penny's difference in price would hardly lead to a shoppers' stampede. But just as obviously, savings of 8¢, 16¢ and 23¢ are substantial enough to cause most housewives to think twice before spending the extra just to get a national brand.

A third consideration involved advertising. At the risk of over-simplifying a highly complex, highly controversial subject, what appears to have happened is that some of the impact has gone out of national brand advertising. Not because today's advertising is "bad" per se, but simply because there is so much of it. Today, more national brand manufacturers are spending more money advertising more products in more media than ever before. More important, the "me too" quality of some of today's advertising has led to consumer confusion about brand identity. With so many household soaps—to take one example—offering simply the promise of "cleaner, whiter clothes," the housewife is left with precious little to guide her decisions when she puts down her magazine and goes off to market.

As a result, the average housewife shops by impulse (Sales Management estimates that some 30% of all purchases are made on impulse; for food products this figure must surely be closer to 60% or 70%). And because she shops by impulse, new factors have grown in importance as prime movers of goods in the U.S. supermarketplace.



The power of the shelf facing

On a day-to-day basis the most important prime mover of goods in today's supermarket has turned out to be the number of "facings" a package is given in which to present itself to the wandering eye of the entranced housewife as she wheels her shopping cart down the aisle. Of almost equal importance is the position—low, waist level, or high—the package is given on the shelf.

The A. C. Nielsen Company has measured the power of the shelf facing statistically. Taking just one product category, they found that when Product A had the same number of facings as Product B, Product A captured 45.4% of the sales and Product B, 54.6%. However, when Product A was given an advantage of *just one* shelf facing more than B, A's share of the market jumped to 52% and B's declined to 48%. In short, a complete reversal of sales position.

Advertising Age for January 27, 1958, gave an even more dramatic example of what shelf position means as reported to them by a supermarket operator:

"In one particular category of merchandise we carry complete lines of the two heavily advertised brands. One brand outsells the other, in our stores and nationally, four-to-one.

"In one crowded store they were given equal space but, unintentionally, the slower moving one received slightly better position. The ratio changed from four-to-one to five-to-three, still in favor of the more popular brand. Similarly, and in this case consciously, we were able to move the No. 3 advertised brand all the way up to the No. 1 sales spot strictly with the use of shelf position and shelf space allocation."

Clearly, control of shelf space, in terms of position and the number of facings a package is given, can materially affect the sales success of a product. But who controls the shelf space? The people who own the store—the very same people who have such a sizeable stake in private label brands.

What's more there are indications the retailers know the nature of the power they hold and exercise it. *Food Field Reporter's* July 7th issue gave one indication of how extensively private label brands are favored. With reference to the mid-year meeting of the Grocery Manufacturers of America, it reported:

"The GMA meeting was decidedly enthralled but scarcely entertained when it heard anew how many retailers place their own brands at waist shelf height and the nationally advertised ones at shoe-top height. Similar tactics are quite prevalent for displays—known brands get little space and the controlled labels get big space. And of course, all of this is accomplished with a price differential that many consumers find quite difficult to overlook."

Sales Management's July 4th, 1958 issue showed how one organization exercises its positioning power. Speaking of the Kroger organization it noted:

"Store people are urged to display Kroger brands 'alongside competing brands' to give the customer 'the chance to compare prices.' Kroger's own should get 'good shelf space and position'; be rotated regularly to 'maintain quality and freshness.'"

If there are doubts in any minds, may we suggest a trip to your nearest chain supermarket. Perhaps you will see what we saw recently in the bread section of one of Long Island's biggest new supermarkets. There was Wonder Bread with two facings. Next to it was Silvercup, and then Bond—also with two facings apiece. But the store's private brand was given no less than *six* facings on the shelf (and waist level, at that) plus a colorful island display.

As we see it, the national brands are selling today with three pretty steep obstacles in their path. One: their private label competitors offer the store owner a better profit margin. Two: the private label has apparently won the buying confidence of a substantial number of customers. Three: their private label competitors have strategic control of the vital lifeline to sales—shelf space.

How to beat the uni-marketing rap

Faced with today's tough, private label competition and the prospect of an even tougher tomorrow, what should the national brand producers do? Should he throw up his hands and quit? Or should he fight back? And how can he fight back when the competition seems to hold all the cards?

Some manufacturers have found an apparent answer in the strategy of "if you can't lick 'em, join 'em." With one hand they produce and market their own brands. With the other they manufacture and/or pack products marketed under private labels. Borden's, for example, packages cheese sold under the A&P label. The same firm that makes "Del Monte" products also provides some of Kroger's canned goods. In many cases it is a purely defensive move. As one manufacturer recently put it to us, "Look, if I don't do it for them, they'll either find somebody else who will, or they'll go into business for themselves. Lord knows, they've got the money to do so if they had to. So why should I fight them when I can make money working for them?"

This attitude, while understandable, falls a little short of being a long-range solution to the Uni-Marketing problem. The answer, we believe, lies neither in capitulation nor cohabitation. Rather it lies in a fresh approach to national brand marketing—including a shift in emphasis to give greater weight to the importance of packaging's role. Instead of playing Tail End Charlie in the marketing game, the package must now be thought of as being just as important to sales as to the product . . . as important as the ad campaign . . . as important as the point-of-purchase promotion. Not *more* important—simply an *equal.*

Here are a few examples of what some of the things a fresh approach to product marketing and product packaging might include:

Product innovation

Supermarket operators are, after all, primarily in the business of selling. Few have the staff, the research facilities or the desire to develop new products. National brand manufacturers—most of them anyway—have all three. More of them, we feel, might well exploit their advantage by developing new foods, new household products, new convenience items that supermarket chains do not have and are not likely to develop on their own.

There are cases a-plenty of product and packaging innovations that have racked up impressive sales for their companies during the "lead time" period while competition was hustling to catch up. Today, with the wide choice of packaging materials now available—plastic films, metal foils, aerosol cans, polyethylene bottles—the potential for innovation on the part of national brand manufacturers has become almost unlimited. And to prove that innovation does not hinge on using new materials, may we repeat the now-familiar story of the sales success of Marlboro cigarettes using the tried and true folding paper box, but using it in a new way.

Fine example of product innovation is found in this newest product of Johnson's Wax research, "Pledge." This furniture polish in an aerosol can is applied by the housewife, not as an added chore, but as part of her regular furniture dusting.

Pledge fits all the requirements of innovation. The product is different in use and application from any on the market. The packaging embodies consumer convenience. The L&M design tells the consumer visually, using rich brown and warm tan colors, that this is a product for fine woods, equally adaptable to both dark traditional and light modern furniture. Gold foil reinforces the quality impression, while the "seal" shape enclosing the name implies the maker's warrantee of performance and customer satisfaction.

In the food field, perhaps the classic example of product and packaging innovation is the story of Sara Lee Coffee Cake which, to coin a cliche, skyrocketed to sales success in competition with 39¢ and 49¢ "store brands" simply by positioning itself on a unique level price-wise, packaging-wise and quality-wise. Priced initially at the unheard of figure (for supermarket coffee cake) of slightly more than a dollar, packaged in a drawn aluminum pan, believably better in taste, Sara Lee Coffee Cake has commanded display space in crowded frozen food cabinets, drawn repeat business from satisfied customers and, as a result, has carved out a sales niche all its own in the highly competitive baked goods field.

Products with a family "look"

The realities of the supermarketplace add up to the inescapable fact of less shelf space for national brands. Not only are individual stores stocking more products than ever before, but they are — understandably — giving preferential shelf space treatment to their own brands. This being the case, what better way for those manufacturers who market a line of products to counter the loss of shelf space than to give their line a "family" resemblance and, by so doing, increase the visual impact of their products' shelf grouping.

This is precisely what was done when General Mills took its U.S. line of breakfast foods into Canada. Faced with powerful local competition, plus little Canadian familiarity with General Mills' breakfast food brand names, L&M's designers decided to meet the new marketing problems with a different packaging approach. Instead of adapting existing designs they created an entirely new group of packages which had a strong family resemblance and, hence, gave strong visual impact to the line-up of General Mills' packages on Canadian shelves.

The same technique paid off again in the case of Arnold Bakers' line of bakery products. By the seemingly simple expedient of using a stripe motif, a heterogenous assortment of bread, rolls, cookies, etc. has been turned into an eye-catching, sense-making family of packages. Today the shelf space given to Arnold may be no greater than before — but, it *looks* bigger. More important; Arnold's sales are up.

Manufacturers who do not produce a line of products can still find an answer to shelf space shrinkage in package design. If fewer facings are to be had, then obviously each square inch of facing must be made to work harder and more efficiently. This means packaging that whets the appetite, excites the curiosity — packaging that stands out amid the surrounding blur of boxes, cans and bottles. And since there is no guarantee that the package will always be presented to the customer full-face, it also means packaging capable of making a strong, memorable brand statement with just its side panel, or perhaps only its end panel visible.

Betty Crocker
Trix
Cheerios
the oat cereal ready to eat
Betty Crocker
SUGAR JETS
CORN KIX
Betty Crocker
CORN KiX
CRISPY CORN PUFFS
Cheerios
Betty Crocker
Cheerios
the oat cereal ready to eat
WHEATIES
Betty Crocker
WHEATIES
Whole Wheat Flakes With All The Bran

ARNOLD
BRICK OVEN
CHOCOLATE
Cookies
ARNOLD
Brick Oven Raisin
ARNOLD
Hearthstone Whole Wheat
ARNOLD
Thinly Sliced
ARNOLD
"Brick Oven" Whole Wheat
ARNOLD
Brick Oven White
ARNOLD
slender
EXTRA PROTEIN LIGHT
key
ARNOLD
Hearthstone White
ARNOLD
Brick Oven White
ARNOLD
Brick Oven Whole Wheat
ARNOLD
Brick Oven White

36 calories
when you sweeten with sugar
8 calories
when you use Sucaryl
You can't taste the difference, but
Sucaryl makes it lots easier to cut down calories
Sucaryl

Two extremes and a mid point in package advertising.

Advertising the package

It has been amply demonstrated that for most products the average shopper is not irrevocably committed to a specific brand when she walks in the store. She may have certain specific *commodities* in mind — grape jelly, soap, catsup — but her decision about which brand to buy is usually made on the spot after she wheels her shopping cart into action.

This high level of impulse purchasing means new opportunities for advertising. Not only must it work to implant in the mind of the consumer the image of the company behind the product. Not only must it stress the product's quality, or its unique features. It should also show the customer what to look for in the store — i.e. picture the package.

Some advertisers are doing this consistently and well. But you can still turn the pages of any consumer magazine and find, as we did, ads that go all out to link the reader to the product's features, but do little or nothing to link her to the package. And the package, after all, is what the shopper sees — the only trigger that can possibly recall advertising's brand message to her mind in those crucial few seconds when she is standing at the shelf going ennie-meenie-miney-mo.

William James, the noted psychologist, once pointed out, "The only things we perceive are those which have been labeled for us, and the labels stamped in our minds." In their advertising, national brand manufacturers might do well to take Mr. James literally.

Packaging to counter a price differential

Clearly, if after your best efforts at cost reduction your product still must go to market wearing a slightly higher price tag than its private label competitor, then one way to convince the customer that it is worth the difference is to *make it look worth the difference.* For some products this might mean packaging that transmits a powerful "high quality" image. For others it might mean packaging that makes the product look larger than its lower-priced neighbor. For still others, packaging that offers the customer worth-while re-use features, or offers greater convenience in use.

Cases abound of packaging's success in selling quality products in a price-conscious market. A few months ago Burry Biscuit Company reported to us that its premium priced cookies in their L&M designed packages were outselling their nearest competitors, per foot of shelf space, by a margin of more than two-to-one. In this case this meant that shelf space devoted to Burry cookies was more than twice as profitable to the store owner as shelf space given to other brands.

This is the kind of dollars and cents talk that any store owner can understand no matter where his interests lie. And it is the kind of story that can only be told when package design is totally integrated with marketing strategy.

Organizing for effective package marketing

Since no two companies are alike in personnel or marketing problems, there is on one "best" way to organize for the most effective package marketing. Some national brand producers assign a full task force to packaging. Others include it (wrongly, we believe) in the general purchasing function.

Although there are no hard and fast rules, our work for scores of clients, big and small, has given us some ideas about organization which may prove helpful.

First, we would urge that a packaging coordinator be appointed to serve as permanent liaison with your product development and marketing group, with the many suppliers in industry and with your package design and planning consultants.

Second, we would urge that packaging be considered early in the development of any new product — while the marketing and advertising plans are still in the formative stage and even before the product name is selected.

Third, we would urge that all packaging ideas, from every source all the way from packaging suppliers to product consumers, be considered not just by one man, but by responsible representatives from Production, Advertising and Marketing. We hate to think how many sales-winning ideas have never had a chance to be considered by people who might have recognized their value.

Finally, and basic to all of the above — and indeed to all effective marketing — we would urge more widespread management recognition of the power of the package as a selling tool, and greater management attention to the way in which their packages serve the needs of the product, the marketplace and the ultimate consumer.

We are proud to number among our clients . . .

ACF Wrigley Stores, Inc.
Acme Visible Records, Inc.
The American Seating Company
The American Tobacco Company
Arnold Bakers, Inc.
Associated Spring Corp.
Burry Biscuit Corp.
The Carling Breweries, Ltd.
Corebelli and Company
Chain Belt Company
Clairol, Inc.
Continental Baking Co.
Dairy Queen National Development Co.
Dow Corning Corp.
Falstaff Brewing Corp.
First National Stores
General Foods Corp.
General Mills, Inc.
Homelite
Imperial Tobacco Co. of Canada, Ltd.
S. C. Johnson & Son, Inc.
Kirsch Company, Inc.
Kraft Foods Company
The Lavoris Company
Lever Brothers Company
Lewyt Corporation
McCormick & Company
Noland Company, Inc.
Ortho Pharmaceutical Corp.
Pacquin, Inc.
Pitney Bowes, Inc.
Praver & Sons
Rike Kumler Company
The Schmidt Brewing Co.
Schultz Brothers Co.
Seabrook Farms Company
Seeman Brothers Co.
Steinberg's Ltd.
Straehmann Bros. Co.
United States Steel Corp.
Weyerhaeuser Timber Co.

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